Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of

Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GC Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	))	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	))	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109

COMMENTS OF TEXAS STATEWIDE TELEPHONE COOPERATIVE, INC.

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April 18, 2011

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I. Introduction and Summary

Texas Statewide Telephone Cooperative, Inc. (TSTCI) offers these comments in response to the Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking (NPRM) regarding proposed reform of the federal universal service fund's (USF) high-cost programs and intercarrier compensation (ICC) regime.[1] TSTCI is an organization representing 39 small, rural incumbent local exchange companies and cooperatives in Texas (see Attachment 1). TSTCI member companies and cooperatives all operate under rate-of-return regulation and provide high quality telecommunications services to customers in rural and high-cost areas encompassing approximately 90,000 square miles of Texas. Although the majority of TSTCI members serve sparsely populated areas that are costly to serve, TSTCI members already provide broadband access at speeds at or above 768 kbps/200 kbps to at least 80% of their customers. TSTCI recognizes that consumer demand for speed will increase significantly over the next few years and members companies are making the necessary capital investments to ensure rural areas of Texas are provided access to advanced broadband services. The Commission's policy directives resulting from this proceeding should provide sound public policy which will allow our members to continue to invest in the areas they serve.

TSTCI's comments focus on the near-term universal service reform proposals outlined in the NPRM: 1) modify high-cost loop support reimbursement percentages and eliminate loop support known as "safety net;" 2) eliminate local switching support as a separate funding mechanism; 3) eliminate the reimbursement of corporate operations expenses; 4) impose reasonable caps on reimbursable capital and operating costs; and 5)

[1] Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking FCC 11-13, Adopted February 8, 2011 and Released February 9, 2011(NPRM).

cap total high-cost support at $3,000 per line per year. The NPRM states that the intent of these proposals is "to ensure incentives for rate-of-return carriers to invest in and operate modern networks capable of delivering broadband as well as voice services, while eliminating excessive spending that may ultimately limit funding available to enable the provision of affordable services to consumers in other rural communities that remain unserved."[2] TSTCI's comments show the effect these proposals are expected to have on its rate-of-return member companies and cooperatives and their ability to invest in and operate network facilities that will bring quality and affordable broadband and voice services to the rural high cost areas of Texas. The current financial condition of the small Texas ILECs is precarious and results from years of erosion of access lines and access revenues. High cost support amounts to approximately 20 percent of total operating revenues, and the combined effect of the proposed reductions to high cost support would cut approximately 78 percent of member company high cost support. The small Texas companies cannot sustain such major revenue reductions without serious financial harm and many would likely be unable to meet their loan covenants.

TSTCI urges the Commission to reject the use of reverse auctions to determine the amount of universal service support. Also, TSTCI believes the proposals that all ILECs must disaggregate their costs and that the states begin a process of revising study area boundaries are premature and should be rejected.

The proposal to reduce or eliminate support in areas with unsubsidized competition raises concerns that should be addressed before any decision is made to proceed with such a proposal. Our concerns are outlined below.

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[2] Id., para 158.

In regard to ICC reform, TSTCI urges the Commission to first proceed expeditiously with the recommendations discussed in TSTCI's April 1, 2011 comments relative to Section XV of the NPRM. TSTCI strongly urges the Commission to (1) confirm that ICC obligations apply to interconnected Voice over Internet Protocol (VoIP) traffic and (2) adopt rules for the implementation of all actions outlined by TSTCI that are necessary to eliminate phantom traffic and ensure that the companies behind tandems can rely on the tandem operators to provide sufficient information for accurate billing. We are concerned the Commission's proposal only addresses concerns of the larger companies and without support from the Commission the small companies like the TSTCI members will not be afforded a solution. Second, on a more long-term basis, TSTCI believes that intrastate switched access rates should move toward parity with interstate rates, but only as determined by state commissions.

II. USF Reform as Proposed Will Severely Impact the Financial Viability of the TSTCI Member Companies

Rate-of-return regulation provides the financial stability for long-term capital investment that is necessary for the small companies to provide broadband service as well as voice service to the rural high-cost areas they serve. The Commission recognizes that on the whole, rate-of-return carriers have made significant progress in extending high speed broadband service in their study areas in part due to universal service support for multi-use facilities that are capable of providing supported voice services, as well as broadband data and video services.[3] However, the Commission also expresses concern that rate-of-return regulation, "absent any limits", supports both "a well-run company

[3] Id., para 170.

operating as efficiently as possible … and a company with high costs due to or exacerbated by imprudent investment decisions, bloated corporate overhead, or an inefficient operating structure."[4] TSTCI urges the Commission to be cautious with the "limits" to universal service support it is proposing for the stated purpose of eliminating waste and inefficiency. Any waste and inefficiency, if it exists, should be addressed on an individual case basis, rather than through wholesale changes that can cause great harm to the vast majority of rural companies that have served the rural consumers in high cost areas well by making prudent investment decisions and operating efficiently. TSTCI believes the Commission has the authority today to investigate individual cases of perceived fraud and abuse.

A. Financial Effects of Reform Proposals in NPRM

1. Current Financial Condition of the Small Texas ILECs

While TSTCI member companies understand the need for reforming the Universal Service funding mechanism, they want the Commission to understand that high cost support is a major component or approximately 20 percent of their operating revenues; high cost reform is being proposed at a time when the majority of the small Texas companies are in a fairly precarious financial state. Attachment 2 shows the revenue sources of TSTCI member companies. Small Texas ILECs have been seeing a steady erosion of access lines and access minutes of use (MOU) over the last several years. Since Texas USF, another major component or approximately 10 percent of their operating revenues is distributed on a per line basis, Texas USF revenues have been eroding for all small Texas companies over the last several years as well. The decrease in

[4] Id., para. 171.

access MOU and access revenue is a result of phantom traffic and other problems with the current ICC regime that TSTCI addressed in their April 1, 2011 filing related to this proceeding.

As a result, the key financial indicators[5] of the small Texas ILECs are generally weak. Please see Attachment 3 showing financial data of TSTCI member companies. For example, while 23 member companies reported overall earned rates of return below 6 percent, of these 23 companies, 17 reported earned rates of return below 3 percent and 5 companies reported negative rates of return. While cooperatives are not required to report their earned returns on equity to the PUCT, of the 15 TSTCI investor-owned small companies, six reported earned returns on equity of less than 2 percent and of these, two companies reported a negative equity return.

With respect to pre-tax interest coverage ratios on long-term debt, 16 member companies reported pre-tax interest coverage ratios below 3,[6] and of these, 10 companies reported pre-tax interest coverage ratios below 1, and of these five companies reported negative interest coverage. Three responding companies reported negative cash flow.[7]

These financial indicators show that most small companies of Texas are not in good financial health and may not be able to meet loan commitments if the Commission's proposals are implemented. These financial indicators also illustrate the need to look at individual circumstances rather than implementing wholesale changes.

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[5] These financial indicators are taken from the companies' Earnings Reports which are required to be filed annually by May 15 with the Public Utility Commission of Texas (PUCT) and are required to be based on audited data and attested to by the company manager. Companies submitted data for these comments for the year ending 2009 or 2010 if available.
[6] A pre-tax interest coverage of 3X is generally considered adequate.
[7] Net cash flows are defined in the PUCT's Earnings Reports as Net Cash Flows = Funds from Operations less dividends paid (IOUs) and as Net Cash Flows = Operating Cash flows less amount of capital credit rotations (cooperatives).

The majority of TSTCI member companies serve sparsely populated areas that are costly to serve. The responding companies serve an average of 8.3 access lines per square mile with 15 responding companies serving an area with less than 3 access lines per square mile. Considering that the TSTCI member companies serve very different types of service areas and are broadly dispersed across all areas of Texas, there is no "average" TSTCI member company. However, the responding companies average approximately 5,000 access lines each, and range from approximately 700 lines to approximately 24,000 lines. Providing high quality service in such sparsely populated and often geographically challenging areas is not inexpensive; the responding companies exceed on average over $3,000 in net plant investment per access line served. All TSTCI member companies are the Carrier of Last Resort (COLR) for their service areas[8] and are required to serve every resident of their service area who requests service.

2. Revenue Effects of Proposals in NPRM

To evaluate the revenue effects of the proposals in the NPRM, TSTCI asked the 39 member companies to submit data showing: 1) the changes in USF support as a result of the proposals in the NPRM;[9] 2) existing company financial data,[10] and 3) company financial indicators revised to show the effects of the proposed USF changes. TSTCI

[8] COLR is a Texas legislative assignment enforced by the PUCT. Although the legislative directive is for voice services, the member companies have taken on the responsibility of Provider of Last Resort for broadband services since no other provider has committed to provide broadband service to the vast areas served by the ILECs.

[9] NPRM: Proposal to decrease the current 65% and 75% support percentages, for incumbent LECs operating 200,000 or fewer loops, to 55% and 65%, respectively (para.180); proposal to eliminate the safety net additive (para. 185); proposal to eliminate local switching support (para.186); proposal to reduce or eliminate universal service support for corporate overhead expenses (para. 194); proposal to cap per line USF support at $3,000 per line (para. 212); proposal to eliminate the "Parent Trap" rule (para. 226).

[10] Financial data is from the companies' Earnings Reports as discussed in Footnote 1.

received responses from 36 member companies,[11] and this data is shown in Attachments 3 and 4. Generally, the member companies' cost consultants calculated the proposed revenue effects based on estimated 2011 high cost support.

The combined effects of all the proposed changes if implemented at the same time is estimated at $56.1 million for the responding companies, or approximately 78 percent of their existing high cost revenues and approximately 20 percent of current total operating revenues including federal USF. Attachment 4 illustrates the total impacts of the various proposals in the NPRM on the TSTCI member companies. It is clear that if all proposed changes implemented at once, the resulting revenue effects would be very significant and harmful to TSTCI member companies.

The proposed elimination of corporate operations expense from high cost loop support has the largest revenue effect of all proposed changes and is approximately $18.5 million in total for the responding companies or approximately 33 percent of the total revenue effects. The proposed elimination of corporate operations expense from ICLS support is estimated to have the next largest revenue effect; this proposal is estimated to have a combined revenue effect of approximately $13.5 million or 24 percent of total revenue effects. The proposed elimination of both corporate operations expense form high cost loop and ICLS support amounts to 57 percent of all proposed revenue effects calculated by TSTCI. TSTCI contends that the total elimination of corporate operations expense would have too drastic an effect on the TSTCI member company revenues, and if implemented, should be done gradually to avoid causing financial harm to the small companies.

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[11] One responding member uses the average schedule basis for settlements and the effects of the NPRM proposals on that company were not included; all other responding companies settle on the basis of cost.

Reducing the current 65% and 75% support percentages, for incumbent LECs operating 200,000 or fewer loops, to 55% and 65%, respectively is estimated to have the next most significant revenue effect and is estimated to be $9.9 million or 17.7 percent of total revenue effects. The proposed elimination of local switching support is estimated to be $9.8 million or 17.5 percent of the total revenue effects.

Eliminating the safety net additive is estimated at $2.9 million or 5.21 percent of total revenue effects and affects 14 of the 36 responding companies. The effect of eliminating the safety net additive varies widely and affects companies very differently, amounting to well under 1 percent to almost 6 percent of total operating revenues. As a result, TSTCI urges the commission to be very cautious about eliminating safety net additive which is a key source of support for some companies.

The proposal to cap high cost loop support at $3,000 per line would affect only one responding TSTCI member company, but the effect on this company is estimated to be major. The proposed $3,000 cap is estimated to amount to 18 percent of this company's total operating revenues. This would be a very drastic revenue reduction for the affected company. No responding TSTCI companies were affected by the proposal to eliminate the "Parent Trap."

Analysis of these revenue effects proves that a wholesale elimination or reduction of any support mechanism would be very unwise since companies are affected very differently and have very different financial situations. For some companies, the effects would be very difficult if not impossible to overcome. TSTCI also points out that a wholesale reduction of corporate expenses is not justified. It is difficult to understand why the Commission takes the position that manager costs, accounting costs, or audit costs should not be recognized as appropriate costs of doing business.[12] Should the Commission decide to implement some version of these proposed support changes, TSTCI urges the commission to establish a process for recognizing each company's specific financial situation and ability to withstand the planned revenue reduction. There should also be a process for companies to petition for waivers from any proposed support reduction that is not unduly burdensome or costly for a small company. TSTCI believes any proposed change that financially harms a company should not be implemented without providing the company the opportunity to challenge the impacts. The ability to show a regulatory agency the impacts of a proposed change and allow the agency to provide corrective action has been a legal threshold of rate-of-return regulation.

3. Effects of NPRM Proposals on Company Financial Indicators

TSTCI asked member companies to calculate the effects of the proposed high cost loop and other support reductions on their financial indicators. The resulting data provide a good indication as to how the proposed support changes would affect the companies' financial situations.

With respect to overall rate of return, the combined revenue effects would result in negative overall rates of return for all but **five** responding companies. With respect to return on equity for the small investor owned companies (IOUs) only four of the 15 companies are expected to have a positive return on equity.

[12] TSTCI recommends that individual audits could be conducted to ensure reasonable expenses are being allocated or the Commission's rules could be changed to require all multi-study areas of a single company be combined for support purposes.

With respect to pre-tax interest coverage ratios on long-term debt, 19 companies are estimated to have pretax interest coverage below 1 and 17 of these companies are expected to have negative pretax interest coverage ratios.

With respect to cash flows, nine responding companies are expected to have negative cash flow.

With respect to compliance with existing loan covenants, approximately one third of the companies are expected to fall below the required indicators in their loan covenants. Most of the companies that are not expected to meet their loan covenants if all proposed support reductions are implemented are Rural Utilities Service borrowers.

TSTCI contends that the combined effects of the proposed support reductions included in the NPRM would not be sustainable by a majority of TSTCI member companies. The support reductions are likely to result in negative cash flow, negative rates of return and pretax interest coverage ratios that are below what is generally considered adequate by lenders. It is likely that several member companies would not be able to meet their loan covenants and several more companies would not be able to attract the capital needed for future investments. TSTCI contends that this would not be a reasonable or desirable outcome for the rural ILECs, the customers they serve, the rural communities where they are located or the financial institutions holding their debt. TSTCI urges the commission to be very careful about reducing support mechanisms when many small ILECs are already in a precarious financial situation. Even seemingly minor changes to a support mechanism will affect the small companies very differently and can cause substantial harm to a small company whose financial condition is not very healthy or that is highly dependent on that support mechanism.

III. Reverse Auctions Should be Rejected – They are Theory at Best and Not Proven to Accomplish the Commission's Broadband Objective

In the first phase of the Connect America Fund (CAF) the Commission proposes targeted one-time funding to support broadband deployment in areas that currently lack even basic broadband service (download speeds of at least 768 kbps). Funding is to be awarded through auctions.[13] In the longer term auctions or a right of first refusal offer to the existing carrier-of-last-resort would be used in all areas that receive CAF support.[14] TSTCI continues to oppose the use of reverse auctions as it has in the past. There is a substantial record of the problems inherent in auctions that have been presented in this and other proceedings, and there have been no real situations presented of successful auctions used in the same or similar circumstances as are now being proposed for universal service broadband support. There are only untested theories. TSTCI reiterates some of the intrinsic problems with reverse auctions.

Reverse auctions will be a "race to the bottom" for the lowest cost provider. Inherent in the lowest cost is the question regarding the quality (and comparability) of service provided. While a reverse auction may effectively minimize total costs, it may also be done at the expense of the quality of the service provided and the expense of replacing the current provider who has made years of capital commitments to the areas.

The use of reverse auctions raises important questions regarding the role of the states in this process. COLR responsibilities are state requirements, and the Commission lacks jurisdiction to preempt state laws or rules. It is unlikely a state will allow rural companies to revise state certifications to eliminate COLR responsibilities in certain areas of the state or certain areas of a county or census tract unless a new carrier takes on

[13] NPRM, para. 261

the COLR responsibilities. States have a local interest in maintaining service responsibilities which include build-out obligations. In addition, many states may not have the authority to impose COLR obligations on the "new carrier." It seems unrealistic to expect the Commission to administer and enforce each contract with the auction winner, and yet state commission enforcement may have its own inherent problems with possible lack of authority. Each auctioned geographic area throughout the country would need to be monitored for coverage, offered speeds and whether the service quality meets the contract requirements (whether by the federal Commission or state commission). Administration and enforcement would require significant resources and funding.[15]

Reverse auctions will curtail rather than encourage investment in the rural high-cost areas.[16] Auctions generate financial unpredictability. Companies who are fully committed to serving a rural area and already have substantial investment in that area, such as the rural companies, will be hesitant to make further investments, including upgrades, because of the uncertainty of cost recovery if future universal service support can be lost due to auctions.[17] The small rural companies do not operate in profitable densely populated urban areas and lack the capital reserves from which the larger urban-based carriers benefit. More importantly, the unpredictability of auctions will also have

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[14] Id. para431

[15] TSTCI believes the additional funding required to administer a reverse auction program could exceed any benefits provided. This of course could be off-set by self-reporting by the carriers however self-reporting has shown to be problematic as evidenced in this proceeding by the Commission's perception of cost reports provided by the ILECs.

[16] See Comments of TSTCI, In the Matter of High-Cost Universal Service Support Federal-State Joint Board on Universal Service, WC Docket No. 05-337, CC Docket No. 96-45, April 17, 2008, p.6-7.

[17] Most small companies depreciate their plant at fairly high depreciation rates which are approved either by the state or by the Commission. These higher rates were assigned in order to keep consumer rates at reasonable levels as part of the Rate-of-Return regulatory compact. Reverse auctions will create the need to accelerate the depreciation which in turn will have an impact on all consumers, not just the geographic area which was auctioned. Many other operational examples can be provided where auctions will have an adverse impact on the rural consumers.

an adverse affect on the ability of rural carriers to secure debt capital. If the Commission truly desires to achieve its overall objective of providing reasonably priced advanced broadband services in the rural areas, reverse auctions should be rejected as a viable means to distribute USF in the rural areas.

IV. Disaggregation of Costs as Proposed is Premature

In an effort to target support to "areas of greatest need", one proposal in the NPRM is that rural carriers be required to disaggregate support within existing study areas beginning in 2012.[18] While recognizing that disaggregation will not affect the total amount of support an ILEC receives in its study area, the Commission states that disaggregation will facilitate their ability to identify areas most in need of ongoing support in the future.[19] Because there is no indication of what will be done other than "targeting support" once the study area is disaggregated, TSTCI believes that this process may be "putting the cart before the horse." Instead, the Commission should first determine what areas require "targeted support" (such as unserved areas), and then, if necessary, disaggregate those selected study areas. Requiring all rural carriers across the country to participate in a comprehensive disaggregation initiative and incur substantial administrative costs before a clear purpose has been defined, is at the very least inefficient and could be a significant waste of time and effort for many companies. TSTCI believes once the Commission determines what speeds are basic broadband speeds that will be supported, then the rural companies can determine what areas are unserved in accordance with the Commission's definitions.

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[18] NPRM, at par. 375.
[19] Id.

In a second proposal to target support, the Commission considers the possibility of states beginning a process to redraw study area boundaries that would be eligible for support under the new CAF regime. TSTCI believes this action is also premature. Until the Commission has determined a final design for the CAF, how it will operate, the geographic scope for which support will be provided, and the required broadband speeds, the states and carriers won't have a good idea of how a study area should be redrawn – or even if it is necessary. Without clear direction this could be another case of inefficiency and wasted resources. Questions such as: is there a need to redraw voice COLR requirements as well as define a broadband service area? Do the boundaries need to be the same if the state has voice COLR and the Commission has broadband COLR? TSTCI submits that this process will result in many areas of the nation having nothing but broadband satellite service available.

In many rural study areas, such as those of TSTCI members, with few customers to share in the costs, deaveraging costs may have unintended consequences to the universal service fund. As the Commission has noted, "…by determining the need for support in smaller areas, total levels in some areas may increase because there would be little or no cross-subsidy from lower cost areas within the carrier's service area. The more we disaggregate areas for support, the higher per-unit costs will be in some areas."[20] There should be a concern that the elimination of cost averaging and disaggregating support will significantly increase the size of the fund. TSTCI does not believe a blanket requirement to disaggregate the rural service areas will prove beneficial and will be administratively costly.

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[20] Id. para. 388.

V. Elimination or Reduction of Support in Areas of Unsubsidized Competition

The NPRM asks a number of questions related to an earlier proposal by the National Cable & Telecommunications Association that universal service support be reduced or eliminated in study areas where there is unsubsidized competition.[21] TSTCI believes there are concerns that should be considered before making any decision to move forward with a plan to reduce or eliminate support in what some might view as "competitive areas."

While this plan may presuppose that the amount of universal service high-cost support the ILECs receive will be reduced, that may not be the case. The Commission asks if support levels should be modified for the incumbent that continues to serve those lines where there is no unsubsidized competitor.[22] It is likely that the area with competition is the highest-density and easiest to service portion of a particular service area otherwise the competitor would have provided service to the higher costs areas within the exchange. The highest-cost area to serve will most likely be the area without competition. To modify the support for the area without unsubsidized competition will require that the ILEC's study area be disaggregated and costs re-allocated. This will eliminate the efficiencies of averaging costs across the whole study area, and can provide an increase in support for the ILEC, the result would be the opposite of the Commission's objectives to curtail growth and provide greater efficiencies in USF support.

[21] NCTA Petition for Rulemaking, GN Docket No. 09-51, WC Docket No. 05-337, RM-11584 (filed November 5, 2009).
[22] Id., para. 391

The NPRM asks a number of important questions related to the effect of the loss of support on COLR obligations. For instance, the Commission asks if an ILEC loses federal universal service support, should the carrier be relieved of its COLR obligations. What mechanisms should be in place to make sure that consumers throughout the area continue to be served? While TSTCI may believe that the ILEC should be relieved of its COLR obligations when it no longer receives support for a part of its study area, which raises the question of whether the Commission has the authority to provide that release when it is the state that designates the COLR.

The Commission also asks if a rebuttable presumption should be created that universal service support is unnecessary in those study area where at least 95% of the households can get service from an unsubsidized competition. Instead of making decisions based on rebuttable presumptions, TSTCI concurs with a process outlined in comments by the Rural Associations that a finding of competition must be triggered by an unsubsidized competitor's petition showing, at a minimum that (a) it is an ETC or state-certified carrier; (b) it can deliver both broadband and quality voice services to at least 95% of the households in the area through its own facilities and in a manner comparable to the relevant universal service support recipient; (c) it offers broadband and voice services on a stand-alone basis at rates reasonably comparable to those offered by the ILEC; and (d) it neither receives universal service support nor cross-subsidizes its operations in the specific affected census block.

Of particular concern to TSTCI is that an ILEC retain its ability to recover its existing investments, should the Commission proceed with this proposal. The ILECs have made significant investments under the current rules in order to provide ubiquitous, quality service in accordance with their COLR obligations. An ILEC needing support to recover investments should not be penalized now for such a drastic change in the rules. Any loss in the amount of support must not apply to existing investments.

VI. Commission Should Proceed with the Elimination of Identical Support Rule for Competitive ETC Support

In the NPRM the Commission presents two approaches to competitive ETC funding, both of which eliminate the current identical support rule. The first approach redirects all competitive ETC funding over five years to the CAF for redistribution to new funding mechanisms to provide support for mobile and fixed broadband. The second approach generally redirects competitive ETC support to the CAF for redistribution, but allows individual mobile providers to obtain a waiver or exception to address areas where the availability of affordable mobile service would be jeopardized by the transition of support to the CAF. These mobile CETCs would demonstrate some level of continuing support was necessary on a transitional basis.[23]

In past comments TSTCI has urged the Commission to eliminate the identical support rule because costs incurred by CETCs are in no way identical to the costs incurred by ILECs.[24] It is only logical that the costs are different for any CETC that deploys and maintains a network that utilizes different technologies than an ILEC. Even in an instance where an ILEC and CETC are using the same type of technology, regulatory obligations that are imposed upon ILECs, including carrier-of-last-resort (COLR) obligations, create differences in the regulations and associated costs between

[23] NPRM, para. 242.
[24] See Comments GN Docket No. 09-51, filed June 8, 2009, p. 12; CC Docket No. 96-45 and WC Docket No. 05-337, Reply Comments filed June 2, 2008, p. 2 and Comments filed April 17, 2008, p. 10

the ILEC and CETC for which there must be an accounting. While TSTCI does not take a position on the Commission's various approaches described in the NPRM regarding elimination of identical support rule, the elimination of the identical support rule should be sooner, rather than later. Also, if the Commission does determine that an individual CETC can receive some amount of continuing support by obtaining a waiver or exception, TSTCI supports the positions of many other parties the CETCs should present actual costs, revenues, and any other financial data deemed appropriate by the Commission in order to prove any continued support is justified.

VII. Intrastate and Interstate Intercarrier Compensation Rates Should be Unified to Promote Revenue Stability

The Commission believes that the variety of approaches taken by states implementing intrastate access charge reform measures underscores the states' ability to account for the unique characteristics of their state and the impact on their consumers.[25] The NPRM describes several different approaches taken by states, like the Nebraska example where intrastate rates were reduced and a state universal service fund created to help carriers replace required intrastate rate reductions. Residential and business rate benchmarks were established for receipt of state universal service support along with separate transition periods for rural and non-rural carriers to reduce their access charges. While in Iowa local exchange companies (LECs) reduced their intrastate access rates in the context of a tariff proceeding and no recovery mechanism was established since those LECs did not provide cost data substantiating the need for such recovery. The

[25] Id. para. 543.

Commission requests comment on the status of intrastate access reform and the different approaches by other states that have undertaken intrastate access reform.

TSTCI agrees with the Commission that the states with jurisdiction over intrastate rates more appropriately understand the characteristics and needs of the telecommunications industry in their state and their consumers. Interstate and intrastate access charges are a significant part of the small rural ILEC's revenue stream,[26] and a loss of this revenue without a mechanism for recovery will severely impact the ability of these companies to continue to deploy the needed investments to further providing broadband services. Without this significant revenue stream, many small companies would lack sufficient cash flow to operate their companies. Any reform measures involving intrastate switched access rates must be accomplished at the direction of the states that have jurisdiction over these rates and a vested interest in preserving quality services throughout the state. TSTCI does agree that it would be beneficial for intrastate and interstate access rates to be in parity; however the reductions should not be made at the risk of putting small rural companies in financial peril. Interstate and intrastate access rate reductions should certainly occur in cooperation with the state commissions and revenue streams be replaced through a revenue replacement structure similar to the Restructuring Mechanisms filed in the Missoula Plan.

The Texas legislature and PUCT have made significant efforts to address interstate-intrastate switched access rate parity over the last decade, keeping in mind the differences and unique circumstances among the largest ILECs, the small rural ILECs

[26] As stated in Joint Association comments filed in July 2010 in this proceeding, state and interstate access revenues are approximately 29% of a small company's revenue stream. TSTCI reported through an exparte filing in March 2011 that approximately 50% of the TSTCI members companies' revenues are from access revenues and the NECA settlement process.

and competitive local exchange carriers. In 2000, after two years of comprehensive and complex proceedings, the PUCT implemented a state universal service fund (Texas Universal Service Fund or TUSF) which provides explicit support "…to assist telecommunications providers in providing basic local telecommunications service at reasonable rates in high cost and rural areas."[27] To transition from implicit to explicit support, reductions in intrastate switched access rates and intraLATA toll rates, plus elimination of the Texas intraLATA toll pool were implemented and were important components of each ILEC's ability to receive support from the Texas universal service fund (TUSF). However, recognizing the different needs and characteristics of the ILECs there are separate support mechanisms in the TUSF for "large ILECs" and "small rural ILECs" as described later.[28] Following the establishment of the TUSF, the state legislature further addressed reductions in switched access rates by various classes of LECs such as a deregulated companies, and "transitioning companies" (ILECs for which at least one, but not all, of its markets has been deregulated). (A summary of these Texas statutes was given in an ex parte letter from AT&T that is referenced in the NPRM.)[29] According to the PUCT's *2011 Report to the Legislature on the Scope of Competition in the Telecommunications Market of Texas*, transitioning ILECs are required to reduce their access charges and this resulted in significant access charge reductions from 2006 through 2008 by several large ILECs.

[27] Public Utility Regulatory Act (PURA) § 56.021(1).

[28] These programs also provide support to competitive eligible telecommunications providers operating in the designated study area of the particular ILEC. The Texas universal service fund disbursed over $461 million in fiscal year 2010 (September 1, 2009 through August 31, 2010) to various programs, the majority of funds (65.47%) being disbursed from the "large ILEC fund" and 17.89% being disbursed from the small rural ILEC fund.

[29] NPRM, footnote 819.

The large ILECs (currently AT&T, Verizon, Windstream, and CenturyLink) receive high cost support through the Texas High Cost Universal Service Plan (THCUSP). Their TUSF support was first developed in a lengthy docketed proceeding where numerous parties participated and submitted an extensive record of evidence.[30]

The small rural ILECs in Texas receive state universal service support through a mechanism known as the Small and Rural Incumbent Local Exchange Company Universal Service Plan (Small ILEC Plan). This is the program from which all TSTCI member companies receive their state universal service support.[31] This plan was similarly established as a result of a very lengthy, comprehensive docketed proceeding in which numerous parties participated and presented an extensive record of evidence. Because access revenues are a key component of the small ILECs' revenue stream, it is essential that the small rural ILECs be able to recover any further revenue reductions due

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[30] PUCT Docket No. 18515, Final Order, page 71. When the THCUSP was first established, the approach used to reduce rates was revenue neutral. Implicit subsidies provided by switched access revenues and intraLATA toll revenues were converted on a dollar for dollar basis into the Texas universal service fund.[30] Disbursements from the THCUSP are made on a monthly per-line basis in high cost rural wire centers. The PUCT determined that any wire center that has an average cost (calculated by the PUCT-determined forward looking economic cost model) exceeding the appropriate revenue benchmark is considered a high cost rural area and monthly per line support amounts by wire center were determined accordingly.
In 2008 the THCUSP was reviewed and the large ILECs reached a settlement agreement to reduce the amount of Texas universal service support by approximately $144.35 over a four year period. Deregulated exchanges with populations greater than or equal to 30,000 are no longer eligible to receive THCUSP support. Also in certain ILECs' service areas THCUSP support is being phased down in select wire centers by amounts equal to the additional revenues they will receive by raising residential basic local rates within a "reasonable range of rates."

[31] The Small ILEC Plan was established in recognition that small, rural ILECs (SRILECs) are "on a different competitive footing than other ILECs" and it provides monthly per-line support necessary to replace support previously provided to the SRILECs through implicit mechanisms including the intraLATA toll pool, toll rates, and intrastate switched access rates. In concert with the establishment of the SRIUSP, the intraLATA toll pool was dissolved; intraLATA toll rates and intrastate switched access rates were reduced. Generally, although on a company-specific basis, intrastate switched access rates were reduced close to parity with interstate access rates, with reductions to terminating common carrier line (CCL) rates given priority. These intrastate access rate changes resulted in revenue reductions totaling approximately $26 million. The support SRILECs receive through the Texas universal service fund is critical to these companies maintaining their ability to provide basic local telecommunications services at affordable rates and thereby maintaining and expanding fixed broadband services to the rural high cost areas of Texas.

to decreases in interstate or intrastate switched access rates. Given the complex history and nature of the Texas USF plans, it is imperative that the Commission work closely with the PUCT to implement interstate and intrastate access parity.

In the NPRM, the Commission also questions how to incent states to reduce intrastate ICC rates without penalizing those that have already begun the process of reforming intrastate rates, or rewarding those states that have not engaged in reform. Further, the Commission ponders establishing a timeframe for state action and asks comment on the Commission bringing traffic within the reciprocal compensation framework if states fail to act within the time period established.[32] TSTCI contends that the Commission does not have the jurisdictional authority to impose reciprocal compensation or mandate a state to reduce intrastate access rates. Instead, TSTCI urges the Commission to work in concert with the state commissions, and collaboratively develop plans to achieve reduced intrastate ICC rates.

TSTCI is particularly concerned with the Commission's interpretation of section 251(b) (5) and section 201(b) of the Federal Telecommunication Act (FTA) that they have the authority to adopt reciprocal compensation rules governing all telecommunications traffic whether interstate or intrastate.[33] First, TSTCI believes under Section 160 of the FTA, the Commission cannot preempt state commissions from their enforcement authority over access, intrastate toll and reciprocal compensation rate-setting if Congress has already granted this authority to the state commissions under Sections 152(b) and 251(b)(5) of the FTA. We do not believe the Commission can preempt the

[32] By suggesting the reciprocal compensation regime preemption as a means to penalize states that do not act by a date certain seems to be an admission that the Commission lacks the authority to mandate reductions in access rates.
[33] NPRM, para. 515.

states in these areas because Congress has not provided the Commission the express authority to do so and, in fact, Congress recognizes clearly the jurisdictional authority of the states.

The Commission has also proposed a solution of reducing interstate and intrastate access rates to zero over time – a bill-and-keep methodology. This recommendation is problematic and not a logical public policy objective and will put extreme pressure on consumers and both interstate and state universal service funds. This suggestion will result in local residential and small businesses consumers and the universal service fund bearing a disproportionate share of the network cost burden, while adding to the profits of the other service providers who use the local networks to originate and terminate their traffic. Taking a rate to zero just reduces the expenses of another service provider while increasing the costs of the ILECs. Increasing the universal service funds, either state or federal funds, seems inconsistent with the Commission's overall objective of not growing the current funds.

Throughout history, the Commission's basic policy directives for rate-setting purposes have recognized that retail service providers use the networks of other providers to originate and terminate their traffic. Consequently, rural carriers' networks are of value and other retail providers should continue to pay an appropriate allocation of costs through access rates. If the Commission were to move access rates to zero, many small companies would not have the financial wherewithal to maintain their networks, much less the ability to invest in broadband technologies. Placing a value of "zero" on the local networks seems illogical and creates new arbitrage opportunities while having the perverse impact of increasing the capital investments of the ILECs.

In addition, the Commission's proposal creates a due process concern for the rural companies. The overwhelming majority of the nation's small rural companies, like the TSTCI member companies, are rate-of-return regulated. As such, their revenues are based on established booked or embedded costs and authorized returns on investments. Any proposal to reduce intrastate access through the Commission's preemption of the states' jurisdictional authority and automatic reduction of revenues would dramatically, and immediately, harm the rural companies' ability to provide universal service in rural areas. There would be substantial revenue reductions without the due process requirement afforded by law for these companies, that is the review of costs, revenue requirements, and authorized return on investments. Substantial rate reductions without the process or procedures for a revenue requirement review would violate due process entitlements under the law, as well as encroach upon the rate setting authority of the states. The states would not have the benefit of input or discretion for the various regulated companies within the individual states' purview. TSTCI does not support proposals that limit the state's rate-setting authority and flexibility to establish rates that clearly fall within their jurisdiction. TSTCI does support the Commission working jointly with the states to develop a process that allows state input.

VIII. CONCLUSION

TSTCI appreciates the enormous task before the Commission to reform universal service and intercarrier compensation; however, TSTCI urges the Commission to carefully consider the ramifications its proposals can have on the small rural ILECs, the services provided to their customers and the rural communities in which they are located.

As demonstrated by the financial indicators of TSTCI member companies, the near-term reform proposals described by the Commission can have devastating effects on some companies if wholesale elimination or reductions in particular support mechanisms occur. Because federal universal service support is such an important component of total operating revenues for these companies, the elimination or reduction of federal universal service support will severely impact the ability of many of these companies to invest and continue to operate network facilities than will bring high quality and affordable broadband and voice services to rural, high cost areas of Texas. If the high cost support mechanisms for rate-of-return ILECs are to be eliminated or significantly reduced, the Commission should establish a process for companies that will suffer undue hardship to petition the Commission for waivers from support reductions.

TSTCI again urges the Commission to reject the use of reverse auctions to determine funding for broadband deployment. There have been no real situations presented of successful auctions used in the same or similar circumstances as those proposed for universal service broadband support. Successful use of reverse auctions is at best theoretical for this purpose. Reverse auctions also will curtail rather than encourage investment in the rural high-cost areas because of the financial unpredictability created for the incumbents who have made substantial investment in the area and whose ability to secure debt will be adversely affected. Inherent in a reverse auction is a “race to the bottom” for the lowest cost provider that brings into question the quality of service provided, especially on an ongoing basis. COLR obligations and the role of states in the process of reverse auctions are other important considerations that have not been determined but will have important ramifications on the ongoing quality of service and build out requirements in the rural unserved or underserved areas.

TSTCI also believes the mandatory disaggregation of costs for all rural carriers in order for the Commission to target future support is premature. The Commission should first determine what speeds are basic broadband speeds that will be supported so that the rural companies can determine what areas require targeted support. Only then should rural companies with those select areas be required to disaggregate.

Likewise, TSTCI believes it is premature for the Commission to ask states to begin a process to redraw study area boundaries that would be eligible for support under CAF. The Commission should first determine the CAF's final design, the geographic scope for which support will be provided, and the required broadband speeds so the states and carriers can have a good idea if a study area needs to be redrawn, and if so, how it should be redrawn.

TSTCI encourages the Commission to proceed with the elimination of the identical support rule for CETC support. Although TSTCI does not take a position on the various approaches regarding elimination of the identical support rule, if the Commission allows an individual exception for continued support to a CETC, that company should present actual costs, revenues, and other financial data deemed appropriate by the Commission in order to prove any continued support is justified.

In regard to intercarrier compensation, TSTCI urges the Commission to quickly proceed with the near-term recommendations made by TSTCI that are necessary to eliminate phantom traffic and ensure that companies behind tandems can rely on the tandem operators to provide information necessary for accurate billing. For the long-term, intrastate switched access rates should move toward parity, but must be done in cooperation with the states. The Texas legislature and PUCT have made significant efforts to address interstate-intrastate access parity over the last decade and appreciate the unique circumstances among the large ILECs, small rural ILECs, and competitive local exchange carriers. As is the case with federal universal service support, access revenues are important to the rural companies' revenue stream. Although it may be beneficial for intrastate and interstate access rates to be at parity, the intrastate reductions should not be made at the risk of putting small rural companies in financial peril. Consideration should be given to a revenue replacement structure such as the Missoula Plan's Restructuring Mechanisms. Any proposal to reduce intrastate access rates through the Commission's preemption of the states' jurisdictional authority and automatic reduction of revenues would harm the rural companies' ability to provide universal service in rural areas.

The Commission's proposal to bring access rates to zero over time is also very problematic. Rural carriers' networks are of value and other retail providers should continue to pay an appropriate allocation of costs through access rates. Placing a value of "zero" on local networks is not logical and will adversely impact the rural carrier's ability to maintain their networks and invest in broadband technologies. This will also create pressure on both interstate and intrastate universal service funds.

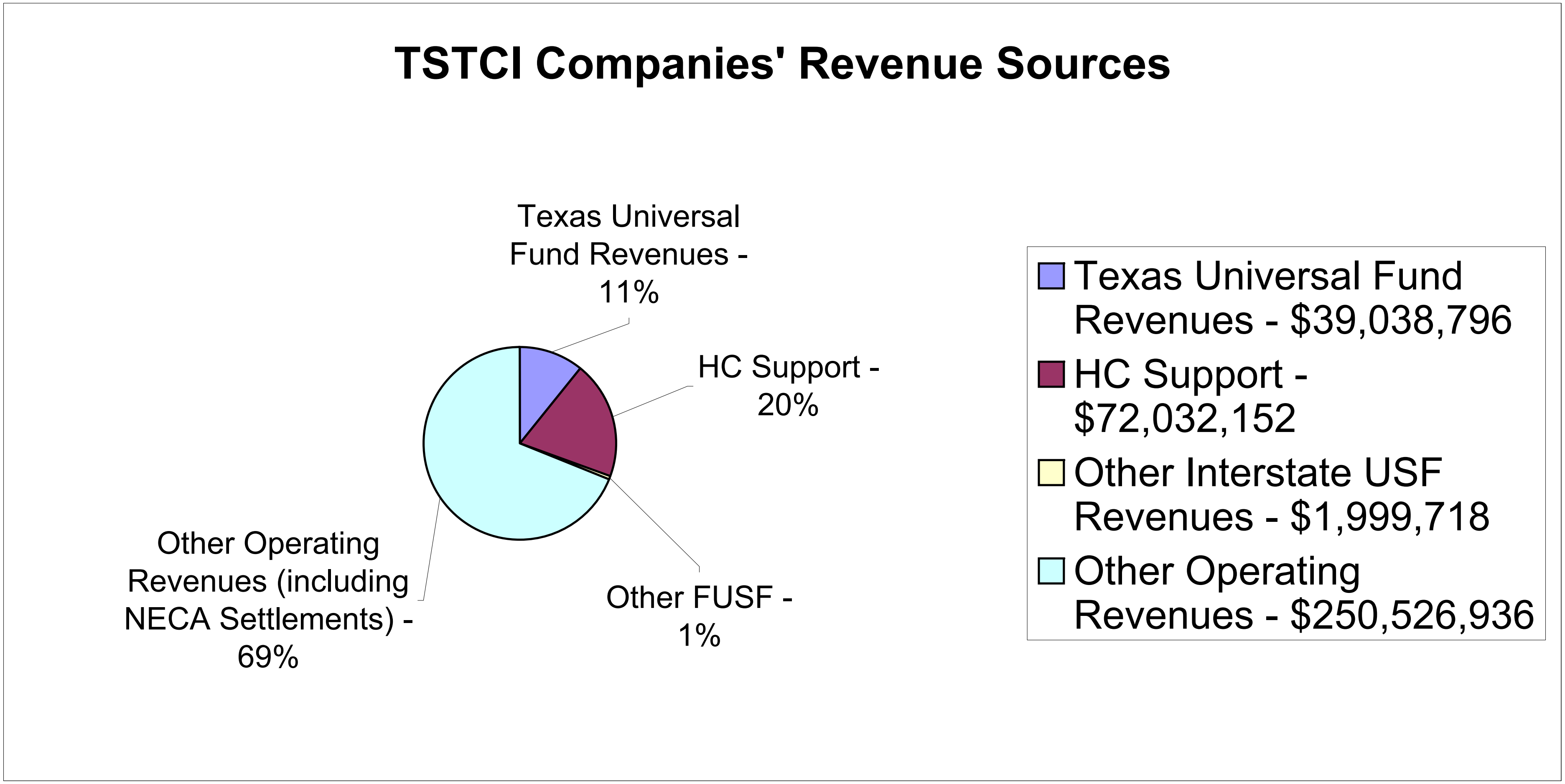
Respectfully submitted,

Cammie Hughes

Cammie Hughes
Authorized Representative
Texas Statewide Telephone Cooperative, Inc.

TEXAS STATEWIDE TELEPHONE COOPERATIVE, INC.

Alenco Communications, Inc.
Big Bend Telephone Company, Inc.
Brazoria Telephone Company
Brazos Telecommunications, Inc.
Brazos Telephone Cooperative, Inc.
Cameron Telephone Company
Cap Rock Telephone Cooperative, Inc.
Central Texas Telephone Cooperative, Inc.
Coleman County Telephone Cooperative, Inc.
Colorado Valley Telephone Cooperative, Inc.
Community Telephone Company, Inc.
Cumby Telephone Cooperative, Inc.
Dell Telephone Cooperative, Inc.
E.N.M.R. Telephone Cooperative, Inc.
Eastex Telephone Cooperative, Inc.
Electra Telephone Company
Etex Telephone Cooperative, Inc.
Five Area Telephone Cooperative, Inc.
Ganado Telephone Company, Inc.
Hill Country Telephone Cooperative, Inc.
Industry Telephone Company, Inc.
La Ward Telephone Exchange, Inc.
Lake Livingston Telephone Company
Lipan Telephone Company, Inc.
Livingston Telephone Company
Mid-Plains Rural Telephone Cooperative, Inc.
Nortex Communications, Inc.
Panhandle Telephone Cooperative, Inc.
Peoples Telephone Cooperative, Inc.
Poka Lambro Telephone Cooperative, Inc.
Riviera Telephone Company, Inc.
Santa Rosa Telephone Cooperative, Inc.
South Plains Telephone Cooperative, Inc.
Tatum Telephone Company
Taylor Telephone Cooperative, Inc.
Wes-Tex Telephone Cooperative, Inc.
West Plains Telecommunications, Inc.
West Texas Rural Tel. Cooperative, Inc.
XIT Rural Telephone Cooperative, Inc.


TSTCI Companies' Revenue Sources
Texas Universal Fund Revenues - 11%
HC Support - 20%
Other FUSF - 1%
Other Operating Revenues (including NECA Settlements) - 69%
Texas Universal Fund Revenues - $39,038,796
HC Support - $72,032,152
Other Interstate USF Revenues - $1,999,718
Other Operating Revenues - $250,526,936

Revenue Effects of Proposals in NPRM

ID Code	Estimated Reductions in 2011 Annual Support Decrease HCL 65% & 75% percentages	Eliminate Safety Net Additive	Eliminate Local Switching Support	Reduce Corporate Expenses from HCL	Reduce Corporate Expenses from ICLS	Effect of $3,000 Cap	"Parent Trap" Elimination	Total High Cost Loop Support as filed	TOTAL of Revenue Reductions
20	$ 38,446	$ -	$ 92,739	$ 109,224	$ 52,897	$ -	$ -	$ 278,311	**$ 293,306**
26(1)	$ 30,693	$ 12,957	$ 33,996	$ 184,623	$ 53,276	$ -	$ -	$ 217,888	**$ 315,545**
18(1)(2)									
1(1)	$ 158,733	$ -	$ 134,184	$ 385,516	$ 115,260	$ -	$ -	$ 1,166,836	**$ 793,693**
24(1)	$ 57,445	$ -	$ 65,595	$ 353,460	$ 191,299	$ -	$ -	$ 404,343	**$ 667,799**
35	$ 104,711	$ -	$ 95,459	$ 268,983	$ 137,669	$ -	$ -	$ 770,217	**$ 606,822**
12(2)									
14	$ 209,748		$ 209,844	$ 403,630	$ 166,561			$ 1,551,526	**$ 989,783**
30	$ 204,823	$ 452,787	$ 301,956	$ 833,175	$ 248,445	$ -	$ -	$ 975,694	**$ 2,041,186**
17(1)	$ 32,403	$ -	$ 307,504	$ 210,620	$ 135,596	$ -	$ -	$ 210,620	**$ 686,123**
34	$ 175,123	$ -	$ 217,632	$ 212,750	$ 130,444	$ -	$ -	$ 1,250,880	**$ 735,949**
22	$ 197,135	$ 26,856	$ 114,389	$ 446,841	$ 135,784	$ -	$ -	$ 1,446,275	**$ 921,005**
27	$ 439,495	$ 22,776	$ 172,364	$ 235,507	$ 202,061	$ 1,494,315	$ -	$ 3,283,440	**$ 2,566,517**
3	$ 74,051	$ 44,712	$ 405,231	$ 396,228	$ 172,912	$ -	$ -	$ 508,099	**$ 1,093,134**
9	$ 70,284	$ 207,600	$ 230,140	$ 422,432	$ 200,450	$ -	$ -	$ 457,104	**$ 1,130,906**
15(1)	$ 289,295	$ -	$ 416,292	$ 379,384	$ 215,562	$ -	$ -	$ 2,139,104	**$ 1,300,533**
11(1)	$ 146,780	$ 35,508	$ 35,365	$ 574,557	$ 289,246	$ -	$ -	$ 1,061,713	**$ 1,081,456**
6	$ 62,063	$ -	$ 294,044	$ 306,647	$ 444,773	$ -	$ -	$ 424,250	**$ 1,107,527**
25	$ 90,695	$ -	$ 317,376	$ 471,572	$ 228,456	$ -	$ -	$ 607,767	**$ 1,108,099**
8(1)	$ 163,192	$ -	$ 527,479	$ 321,906	$ 575,398	$ -	$ -	$ 1,203,852	**$ 1,587,975**
10	$ 162,566	$ 154,368	$ 112,379	$ 749,247	$ 288,680	$ -	$ -	$ 1,115,044	**$ 1,467,240**
4	$ 282,160	$ 86,433	$ 234,684	$ 714,515	$ 252,543	$ -	$ -	$ 2,052,892	**$ 1,570,335**
31	$ 214,762	$ 114,120	$ 99,716	$ 431,387	$ 247,081	$ -	$ -	$ 1,567,783	**$ 1,107,066**
33(1)	$ 138,144	$ 82,236	$ 456,618	$ 417,574	$ 254,079	$ -	$ -	$ 998,485	**$ 1,348,651**
23(1)	$ 245,667	$ -	$ 294,680	$ 560,036	$ 300,248	$ -	$ -	$ 1,738,359	**$ 1,400,631**
19	$ 324,494	$ -	$ 313,362	$ 689,424	$ 216,726	$ -	$ -	$ 2,353,509	**$ 1,544,006**
13	$ 136,494	$ -	$ 174,744	$ 411,153	$ 368,240	$ -	$ -	$ 991,824	**$ 1,090,631**
32	$ 624,226	$ 1,020,180	$ 488,821	$ 1,197,217	$ 633,721	$ -	$ -	$ 4,423,181	**$ 3,964,165**
7	$ 484,847	$ -	$ 461,172	$ 1,121,637	$ 348,994	$ -	$ -	$ 3,441,880	**$ 2,416,650**
21(1)	$ 613,481	$ -	$ 257,110	$ 926,017	$ 258,748	$ -	$ -	$ 4,483,859	**$ 2,055,356**
29(1)	$ 883,573	$ -	$ 150,468	$ 1,055,426	$ 502,030	$ -	$ -	$ 6,114,947	**$ 2,591,497**
16	$ 1,680,642	$ 124,416	$ 1,060,302	$ 872,956	$ 586,167	$ -	$ -	$ 12,511,130	**$ 4,324,483**
5(1)	$ 502,160	$ -	$ 1,050,672	$ 821,717	$ 515,616	$ -	$ -	$ 4,565,093	**$ 2,890,165**
28(1)	$ 939,742	$ 541,656	$ 598,440	$ 1,658,001	$ 4,881,104	$ -	$ -	$ 6,621,522	**$ 8,618,943**
36	$ 150,236	$ -	$ 90,018	$ 349,280	$ 107,374	$ -	$ -	$ 1,094,725	**$ 696,908**
Total	**$ 9,928,308**	**$ 2,926,605**	**$ 9,814,775**	**$ 18,492,642**	**$ 13,457,437**	**$ 1,494,315**	**$ -**	**$ 72,032,152**	**$ 56,114,082**
Average	**$ 292,009**	**$ 91,456**	**$ 297,417**	**$ 560,383**	**$ 407,801**	**$ 45,282**	**$ -**	**$ 2,182,792**	**$ 1,700,427**

(1) 2010 EMR Data
(2) One Study Area

Revenue Effects of Proposals in NPRM

	Financials				Revised Financials				
ID Code	Access Lines	Texas Universal Fund Revenues	Total Operating Revenues	Federal USF Revenues	Pre-Tax Interest Coverage	Pre-Tax Interest Coverage (L T Debt)	Rate of Return (Total Company)	Earned Return on Equity (Total Company)	Net Cash Flows
20	5,801	$ 197,575	$ 1,644,442	$ 450,893	-4.04	-4.04	-3.27%	-4.16%	$ (522,834)
26(1)	720	$ 235,537	$ 1,282,448	$ 338,197	14670.08	0.00	-20.19%	-20.19%	$ 1,388,357
18(1)(2)	3,307	$ 507,428	$ 3,213,161	$ -					
1(1)	1,435	$ 659,336	$ 3,590,433	$ 1,000,962	-0.31	-0.31	-4.83%	-8.60%	$ 560,753
24(1)	1,453	$ 480,287	$ 2,397,736	$ 512,536	0.12	0.12	-8.42%	-18.89%	$ (197,497)
35	942	$ 332,773	$ 2,680,996	$ 1,020,609	-8.22	-8.23	-0.20%	-3.00%	$ 257,046
12(2)	4,496	$ 730,655	$ 4,416,442	$ 252,380					
14	1,123	$ 565,798	$ 4,389,053	$ 1,577,342	2.89	5.39	6.12%	NA	$ 1,836,177
30	1,083	$ 477,845	$ 2,402,473	$ 547,034	-168.10	-170.41	-114.18%	NA	$ (978,502)
17(1)	1,123	$ 525,914	$ 2,276,479	$ 475,773	-4.43	-4.43	-28.96%	-35.32%	$ 1,228
34	831	$ 449,798	$ 2,918,487	$ 1,008,396	-30.06	-30.06	-9.49%	-6.30%	$ (36,591)
22	2,003	$ 448,692	$ 3,976,805	$ 840,097	-0.56	-0.56	-5.08%	NA	$ 292,526
27	806	$ 385,981	$ 5,891,250	$ 2,197,536	-1.87	-1.92	-12.58%	NA	$ 463,376
3	2,884	$ 530,584	$ 4,000,713	$ 545,005	-25.43	-25.87	-21.71%	0.00%	$ (623,752)
9	4,271	$ 884,732	$ 6,108,150	$ 544,668	32.19	34.30	-1.65%	0.00%	$ 2,435,646
15(1)	1,838	$ 1,734,675	$ 7,009,548	$ 2,100,167	1.04	1.04	8.41%	13.63%	$ 1,627,972
11(1)	2,253	$ 363,134	$ 3,476,369	$ 1,186,694	0.00	0.00	-3.97%	0.00%	$ (1,136,028)
6	2,372	$ 1,389,583	$ 4,824,435	$ 514,675	2.78	2.49	-27.84%	0.00%	$ 464,541
25	4,507	$ 1,469,455	$ 7,447,668	$ 818,482	-212.59	-197.76	-1.47%	NA	NA
8(1)	1,056	$ 950,282	$ 5,074,035	$ 1,120,383	0.00	0.00	-8.59%	-8.59%	$ (813,906)
10	6,372	$ 918,591	$ 6,770,723	$ 1,308,302	3.07	3.07	-6.98%	0.00%	$ 1,039,623
4	3,956	$ 1,643,434	$ 7,175,723	$ 1,230,834	-1.01	-1.09	-10.60%	-20.35%	$ 1,044,980
31	2,492	$ 802,107	$ 4,980,802	$ 1,462,408	-6.74	-6.20	-9.30%	-15.06%	$ 206,345
33(1)	2,221	$ 926,053	$ 4,982,749	$ 1,030,942	-11.70	-11.70	-9.03%	-14.98%	$ 500,235
23(1)	6,052	$ 1,335,903	$ 9,753,497	$ 2,021,068	72.50	72.50	-6.35%	-6.53%	NA
19	4,564	$ 1,401,740	$ 10,388,849	$ 2,529,108	2.36	2.93	2.96%	2.71%	$ 2,598,701
13	1,930	$ 936,605	$ 4,775,462	$ 1,384,788	-2.99	-3.00	-42.59%	NA	$ (617,183)
32	15,480	$ 3,302,391	$ 19,262,387	$ 2,865,024	-11.67	-12.37	-6.02%	NA	$ 1,457,010
7	12,033	$ 1,613,792	$ 13,383,305	$ 3,975,672	-0.48	-0.48	-5.85%	0.00%	$ 442,971
21(1)	6,359	$ 1,707,830	$ 15,918,973	$ 4,604,283	25.38	25.38	5.20%	NA	$ 5,475,065
29(1)	15,678	$ 3,157,895	$ 18,025,922	$ 5,555,339	-2.90	-2.90	-8.84%	-9.31%	$ 4,471,063
16	5,183	$ 3,276,802	$ 31,156,101	$ 12,231,399	1.63	1.63	5.60%	3.30%	$ 2,781,128
5(1)	13,384	$ -	$ 24,638,530	$ 9,238,880	1.65	0.11	-0.30%	NA	$ 9,148,023
28(1)	24,183	$ 4,245,773	$ 32,672,506	$ 7,541,994	-11.28	-11.28	-18.52%	-22.14%	$ (2,569,333)
36									
Total	**170,947**	**$ 39,038,796**	**$289,565,732**	**$ 74,031,870**	**NA**	**NA**	**NA**	**NA**	**$30,997,140**
Average	**4,884**	**$ 1,115,394**	**$ 8,273,307**	**$ 2,115,196**	**447.23**	**-10.74**	**-11.78%**	**-7.71%**	**$ 1,033,238**

(1) 2010 EMR Data
(2) One Study Area

Estimated 2011 Revenue Reductions